


COPY

NC 02-2004-0004 Ref 9211

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK		PROOF OF CLAIM
In re: <b>Solutia Inc., et al.</b>	Case No: <b>03-17949 (PCB)</b> Jointly Administered	 5839854  <i>Still x Ref Stge</i>  <i>SB Comp</i> <i>File</i>  This Space is for Court Use Only
Name of Debtor: (Specify Debtor Name) <b>Solutia Inc.</b>	Case Number: (Specify Case Number) <b>03-17949</b>	
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.		
Name of Creditor (The person or other entity to whom the debtor owes money or property): <b>U.S. Environmental Protection Agency U.S. Depts of Interior, Commerce, Agr. ASSISTANT U.S. ATTORNEY FOR THE DAVID J. KENNEDY, ESQ. SOUTHERN DISTRICT OF NEW YORK 86 CHAMBERS STREET 3RD FLOOR NEW YORK, NY 10007</b>	<input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case. <input type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.	
If address differs from above, please provide the name and address where notices should be sent: Creditor Name:  Address:  City/ST/Zip:		
Account or other number by which creditor identifies debtor:	Check here if <input type="checkbox"/> replaces this claim <input type="checkbox"/> amends a previously filed claim, dated _____	
1. Basis for Claim <input type="checkbox"/> Goods sold <input type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input type="checkbox"/> Other  <b>See attached.</b>		<input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. § 1114(a) <input type="checkbox"/> Wages, salaries, and compensation (fill out below) Last four digits of SS #: _____ Unpaid compensation for services performed from _____ to _____ (date) (date)
2. Date debt was incurred: <b>See attached.</b>		3. If court judgment, date obtained: <b>See attached.</b>
4. Total Amount of Claim at Time Case Filed: \$ _____ (Unsecured) (Secured) (Priority) (Total) <b>See attached</b>		
If all or part of your claim is secured or entitled to priority, also complete Item 5, 6 or 7 below. <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.		
5. Secured Claim. <input type="checkbox"/> Check this box if your claim is secured by collateral (including a right of setoff). Brief Description of Collateral: <b>See attached.</b> <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other _____ Value of Collateral: \$ _____ Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ _____		7. Unsecured Priority Claim. <input type="checkbox"/> Check this box if you have an unsecured priority claim. Amount entitled to priority \$ _____ Specify the priority of the claim: <input type="checkbox"/> Wages, salaries, or commissions (up to \$4,650), earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4). <input type="checkbox"/> Up to \$2,100 for deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6). <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a)( ).
6. Unsecured Nonpriority Claim \$ <b>See attached.</b> <input type="checkbox"/> Check this box if: a) there is no collateral or lien securing your claim, or b) your claim exceeds the value of the property securing it, or if c) none or only part of your claim is entitled to priority.		
8. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.		This Space is for Court Use Only  11:30 P 3:09
9. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. If the supporting documents are in excess of 100 pages, you may attach a summary of them and a list of each document you have relied upon. DO NOT SEND ORIGINAL DOCUMENTS.		
10. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.		
Date <b>11/30/04</b>	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any): <b>DAVID J. KENNEDY, ASST. U.S. ATTY.</b>	

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

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UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

In re:

CHAPTER 11

SOLUTIA INC., et al.,

Case No. 03-17949 (PCB)

Jointly Administered

Debtors.

**PROOF OF CLAIM OF THE UNITED STATES ON BEHALF OF THE  
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY,  
DEPARTMENT OF THE INTERIOR, DEPARTMENT OF COMMERCE,  
AND DEPARTMENT OF AGRICULTURE AGAINST SOLUTIA, INC.**

The United States files this Proof of Claim at the request of the U.S. Environmental Protection Agency ("EPA"), Department of the Interior ("DOI"), National Oceanic and Atmospheric Administration of the Department of Commerce ("NOAA"), and the Forest Service of the United States Department of Agriculture ("USFS") against debtor Solutia, Inc. ("Solutia") for response costs incurred and to be incurred by the United States under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. §§ 9601-9675 at various sites as set forth herein in Paragraphs 3, 6, 9, and 14 infra, for stipulated penalties for violation of an Administrative Order on Consent, see paragraph 13 infra, and for natural resource damages and assessment and oversight costs, see paragraph 23-25 infra. In

addition, with respect to equitable remedies that are not within the Bankruptcy Code's definition of "claim," 11 U.S.C. § 101(5), this proof of claim is only filed in protective fashion. See, e.g., Paragraphs 2, 5, 8, 10, 11, 12, and 26 infra.

1. Anniston PCB Superfund Site and Anniston Lead Superfund Site. Solutia is liable to the United States under CERCLA with respect to the Anniston PCB Superfund Site and the Anniston Lead Superfund Site located in and around Anniston, Alabama. Solutia is liable to the United States because (a) it is the owner and operator of a portion of the Sites, (b) was the owner and operator of a portion of the Anniston PCB Site at the time of disposal of hazardous substances, (c) hazardous substances have been, and may be continuing to be, released from the portion of the Sites it owns to other parts of the Sites, and (d) it is a legal successor to Monsanto Company, which was the owner and operator of a portion of the Sites at the time of disposal of hazardous substances and an arranger for disposal of hazardous substances that it owned or possessed at the Sites. Polychlorinated biphenyls ("PCBs") and/or lead have been released into waterways, surface water, soils, and sediments at the Sites, including in numerous residential yards. The Anniston PCB Superfund Site and Anniston Lead Superfund Site are facilities within the meaning of the statute. There have been releases or threats of releases of hazardous substances, including but not limited to, PCBs and lead at the Sites. Other potentially responsible parties may along with Solutia also be jointly and severally liable to the United States under CERCLA with respect to the facilities.

2. This Proof of Claim is filed in a protective manner with respect to Solutia's obligations to perform work with respect to the Anniston PCB Superfund Site and Anniston Lead Superfund Site. See Paragraph 11 infra. On August 4, 2003, the United States District Court for Northern District of Alabama entered a Consent Decree ("Consent Decree") and

ordered Solutia to perform residential cleanups and investigatory work at the Anniston PCB Superfund Site. EPA estimates that it may cost the jointly and severally liable parties, including Solutia, between \$20 million and \$30 million to perform the required work, some of which has already been performed. EPA has not yet selected remedial action under CERCLA for the Anniston PCB Superfund Site and Anniston Lead Superfund Site and Solutia has therefore not yet been ordered to perform remedial work for the Sites but may be ordered by a court or other authority found to have jurisdiction to do so in the future. Since investigations at the Sites are continuing and remedial action has not yet been selected, the cost of such work to Solutia is uncertain at this time, but the work with respect to the Anniston PCB Superfund Site could cost the jointly and severally liable parties, including Solutia, as much as \$500 million or more. EPA estimates that work relating to the Anniston Lead Superfund Site could cost the jointly and severally liable parties, including Solutia, between \$35 million and \$70 million.

3. Response costs have been and will be incurred by EPA with respect to the Anniston Superfund Sites not inconsistent with the National Contingency Plan promulgated pursuant to Section 105 of CERCLA, 42 U.S.C. § 9605, and set forth at 40 C.F.R. ¶ 300, as amended. On or about November 13, 2002, Solutia entered into an Administrative Order on Consent, In re Anniston PCB Site (EPA Region 4) (No. CER-04-2002-3777), pursuant to which Solutia is liable to pay EPA an additional \$1.5 million plus interest in 2005 for past response costs. On or about October 5, 2001, Solutia entered into an Administrative Order on Consent ("AOC"), In re Anniston PCB Site (EPA Region 4) (No. CER-04-2002-3752), which, inter alia, requires Solutia to reimburse EPA for certain oversight costs relating to the AOC. The AOC is incorporated into the Consent Decree. Pursuant to the AOC and Consent Decree, EPA submitted oversight bills to Solutia. Portions of these were disputed by Solutia. Solutia placed

disputed amounts into an interest bearing escrow account pending resolution of the disputes. Upon information and belief, the amount of unreimbursed disputed oversight costs under the AOC being held in escrow by Solutia is \$335,865.70 for 2002 and \$380,454.22 for 2003. Solutia is liable to the United States for these amounts plus accumulated interest. The United States believes that these monies are held in trust for its benefit and asserts a secured claim for such funds. EPA estimates that oversight costs that Solutia is liable to pay EPA under the Consent Decree (in addition to the AOC escrowed amounts) will be \$8,400,000 or more. Under the Consent Decree, Solutia is also liable to make future payments totaling \$2,781,835 to an educational Trust Fund for the purpose of providing special education, tutoring or other supplemental educational services for the children of west Anniston some of whom may have been affected by exposure to hazardous substances and have learning disabilities or otherwise need additional educational assistance as follows: 2005: \$231,702, 2006: \$240,970, 2007: \$250,609, 2008: \$260,633, 2009: \$271,058, 2010: \$281,900, 2011: \$293,177, 2012: \$304,904, 2013: \$317,099, 2014: \$329,783. In addition, the United States has incurred unreimbursed response costs to date of approximately at least \$6.9 million with respect to the Anniston Lead Superfund Site. Solutia is liable to the United States for the above amounts. Solutia is also liable for interest due under 42 U.S.C. § 9607(a). Other potentially responsible parties may along with Solutia also be jointly and severally liable to the United States for all of the above amounts which total \$20,298,154.92 plus interest due under 42 U.S.C. § 9607(a).

4. Sauget Sites: Solutia is liable to the United States under CERCLA in connection with the Sauget Superfund Sites in St. Clair County, Illinois across the Mississippi River from St. Louis, Missouri. The Sauget Superfund Sites consist of waste landfills, surface impoundments, lagoons, disposal areas, and pits filled with wastes. The Sauget Area One Site is

comprised of an intermittent stream called Dead Creek (segments A through F) and adjacent source areas (Areas G, H, I, L, M and N). The Sauget Area Two Site, which is more recently filled, consists of source areas O through S. Solutia is liable to the United States because (a) it is the owner and operator of a portion of the Sites, (b) was the owner and operator of a portion of the Sites at the time of disposal of hazardous substances, (c) hazardous substances have been, and may be continuing to be, released from the portion of the Sites it owns to other parts of the Sites, and (d) it is a legal successor to Monsanto Company, which was the owner and operator of a portion of the Sites at the time of disposal of hazardous substances and an arranger for disposal of hazardous substances that it owned or possessed at the Sites. The Sauget Sites are facilities within the meaning of the statute. There have been releases or threats of releases of hazardous substances at the Sites. Other potentially responsible parties may along with Solutia also be jointly and severally liable to the United States under CERCLA with respect to the facilities.

5. This Proof of Claim is filed in a protective manner with respect to Solutia's obligations to perform work with respect to the Sauget Superfund Sites. See Paragraph 11 *infra*.

a. Sauget Area One Work Obligations. On or about January 21, 1999, EPA issued an Administrative Order on Consent that requires Solutia to conduct, inter alia, an Engineering Evaluation and Cost Analysis for Sauget Area One source areas, impacted portions of Dead Creek, and contaminated residential and commercial properties adjacent to the Creek segments, and to conduct a Remedial Investigation/Feasibility Study for Sauget Area One groundwater. In re Sauget Area 1 Site (EPA Region 5)(No. V-W-01-C-662). EPA estimated that it may cost the jointly and severally liable parties, including Solutia, approximately \$800,000 to perform the remaining required work, although some of this work has been performed by another party. On or about May 31, 2000, EPA issued a Unilateral Administrative

Order to Solutia that requires Solutia, inter alia, to dredge and dispose of contaminated sediments from Dead Creek and install a high density polyethylene liner. In re Sauget Area 1 Superfund Site (EPA Region 5)(No. V-W-99-C-554). EPA estimated that it may cost the jointly and severally liable parties, including Solutia, approximately \$10 million to perform the remaining required work, although some of this work has been performed by another party. EPA has not yet selected remedial action under CERCLA for the Sauget Area 1 Superfund Site. Solutia has therefore not yet been ordered to perform remedial work for the Site, but may be ordered by a court or other authority found to have jurisdiction to do so in the future. Since investigations at the Site are continuing and the remedy has not yet been selected, the cost of such work to Solutia is uncertain at this time, but EPA estimates that remedial action work with respect to the Sauget Area 1 Superfund Site could cost jointly and severally liable parties, including Solutia, as much as \$46 million to \$266 million or more depending on the remedy selected.

b. Sauget Area Two Work Obligations. On or about November 24, 2000, EPA issued an Administrative Order on Consent that requires Solutia to implement a Remedial Investigation and Feasibility Study for Area Two. In re Sauget Area Two Site (EPA Region 5)(No. V-W-01-C-662). EPA estimates that it may cost the jointly and severally liable parties, including Solutia, approximately \$4 million to perform the remaining required work. On or about October 3, 2002, EPA issued a Unilateral Administrative Order that requires Solutia, inter alia, to implement an interim groundwater remedy and operation and maintenance thereof in the vicinity of Site R of Sauget Area Two. In re Sauget Area Two Superfund Site (EPA Region 5)(No. V-W-02-C-716). EPA estimates that it may cost the jointly and severally liable parties, including Solutia, approximately \$18 million to perform the remaining required work. EPA has

not yet selected final remedial action under CERCLA for the Sauget Area 2 Superfund Site. Solutia has therefore not yet been ordered to perform remedial work for the Site (other than the interim groundwater remedial action), but may be ordered by a court or other authority found to have jurisdiction to do so in the future. Since investigations at the Site are continuing and the final remedy has not yet been selected, the cost of such work to Solutia is uncertain at this time, but EPA estimates that remedial action work with respect to the Sauget Area 2 Superfund Site could cost jointly and severally liable parties, including Solutia, as much as \$105.7 million or more depending on the remedy selected.

6. Response costs have been and will be incurred by EPA with respect to the Sauget Superfund Sites not inconsistent with the National Contingency Plan promulgated pursuant to Section 105 of CERCLA, 42 U.S.C. § 9605, and set forth at 40 C.F.R. ¶ 300, as amended.

a. Sauget Area One. In January 1999, the United States brought an action on behalf of EPA against Solutia and other parties for the recovery of \$783,468.14 in removal costs plus interest at Site G in Sauget Area One and for the recovery of certain other oversight and litigation costs for Area One in the amount of \$1,788,715.96. United States v. Pharmacia Corp., No. 99-63-DRH (S.D. Ill.). Solutia is liable to the United States for these amounts plus interest due under 42 U.S.C. § 9607(a) from the date of demand on July 23, 1998 as determined by the United States District Court for the Southern District of Illinois. In or about September 2003, Solutia and other parties stipulated that they were jointly and severally liable for response costs incurred or to be incurred by the United States for response actions addressing the release or threatened release of hazardous substances at or from Sites G, H, I, M, and Dead Creek as persons who disposed of or arranged for disposal of such hazardous substances at these Sites, subject only to their right to contest particular future costs as incurred for response actions that



were arbitrary and capricious, contrary to law, or otherwise inconsistent with the National Contingency Plan. Solutia is also liable to EPA pursuant to the Administrative Order on Consent for Sauget Area One, In re Sauget Area 1 Site (EPA Region 5)(No. V-W-01-C-662), for additional oversight costs incurred by EPA plus interest due under 42 U.S.C. § 9607(a). From 1999 through 2003, EPA has incurred such unreimbursed oversight costs of approximately \$279,400 under the Administrative Order on Consent for Area One. Solutia is also liable for approximately \$2,000,000 for EPA's estimated oversight costs in 2004 and future oversight costs for Sauget Area One. Other potentially responsible parties may along with Solutia also be jointly and severally liable to the United States for all of the above amounts which total \$4,851,584.10 plus interest due under 42 U.S.C. § 9607(a).

b. Sauget Area Two. Solutia is liable to the United States for approximately \$3,226,793.75 plus interest due under 42 U.S.C. § 9607(a) related to EPA's removal of contaminated drums and soils in Site Q in 1999-2000. Solutia is also liable to the United States for unreimbursed oversight costs for the years 2000 through 2003 of around \$659,383.13 plus interest related to the Administrative Order on Consent for Area Two, In re Sauget Area Two Site (EPA Region 5)(No. V-W-01-C-662). Solutia is also liable to the United States for unreimbursed oversight costs for the years 2002 through 2003 of around \$716,839.66 plus interest due under 42 U.S.C. § 9607(a) related to the Unilateral Administrative Order for Area Two, In re Sauget Area Two Superfund Site (EPA Region 5)(No. V-W-02-C-716). Solutia is also liable for approximately \$2,000,000 for EPA's estimated oversight costs in 2004 and future oversight costs for Sauget Area Two. Other potentially responsible parties may along with Solutia also be jointly and severally liable to the United States for all of the above amounts which total \$6,643,016.54 plus interest due under 42 U.S.C. § 9607(a).

7. Kanawha River Site. Solutia is liable to the United States under CERCLA with respect to the Kanawha River Site located in Kanawha and Putnam Counties, West Virginia. Solutia is liable to the United States because (a) it is the owner of a portion of the Site in Nitro, West Virginia, (b) was the owner of a portion of the Site at the time of disposal of hazardous substances, and (c) hazardous substances have been, and may be continuing to be, released from the portion of the Site it owns to other parts of the Site. 2,3,7,8-tetrachlorodibenzo-p-dioxin, which is a hazardous substance, has been released into waterways, surface water, soils, and sediments at the Site, including into the Kanawha River. The Kanawha River Site is a facility within the meaning of the statute. There have been releases or threats of releases of hazardous substances at the Site. Other potentially responsible parties may along with Solutia also be jointly and severally liable to the United States under CERCLA with respect to the facility.

8. This Proof of Claim is filed in a protective manner with respect to Solutia's obligations to perform work with respect to the Kanawha River Site. See Paragraph 11 *infra*. EPA has not yet selected response action under CERCLA for the Kanawha River Site and Solutia has therefore not yet been ordered to perform response action work for the Site but may be ordered by a court or other authority found to have jurisdiction to do so in the future. Since investigations at the Site are continuing and response action has not yet been selected, the cost of such work to Solutia is uncertain at this time, but the work with respect to the Kanawha River Site could cost the jointly and severally liable parties, including Solutia, many millions of dollars.

9. Response costs have been incurred by EPA with respect to the Kanawha River Site not inconsistent with the National Contingency Plan promulgated pursuant to Section 105 of CERCLA, 42 U.S.C. § 9605, and set forth at 40 C.F.R. ¶ 300, as amended. The United States

has incurred unreimbursed response costs to date of approximately at least \$638,913.68 through February 17, 2004 with respect to the Kanawha River Superfund Site. Solutia is liable to the United States for this amount plus interest due under 42 U.S.C. § 9607(a). Other potentially responsible parties may along with Solutia also be jointly and severally liable to the United States for this amount.

10. Brio Refining Site. Solutia is liable to the United States under CERCLA in connection with the Brio Refining Site in Harris County, Texas. The Brio Refining Site was a petrochemical processing facility. Solutia is liable to the United States because it is a legal successor to Monsanto Company, which was an arranger for disposal of hazardous substances it owned or possessed at the Site and because it has been ordered by the United States District Court for the Southern District of Texas to implement response action required by a Consent Decree signed by Solutia in United States v. AMOCO Chemical Co., et al., Civil Action No. H-89-2734 (S.D. Tex. Mar. 8, 1999). EPA estimates that it may cost the jointly and severally liable parties, including Solutia, more than \$20 million to perform the remaining required work. The Brio Refining Site is a facility within the meaning of the statute. There have been releases or threats of releases of hazardous substances at the Site. This Proof of Claim is filed in a protective manner with respect to Solutia's obligations to perform work in accordance with the Consent Decree. See Paragraph 11 infra.

11. Protective Filing For Work Obligations. The United States is not required to file a proof of claim with respect to Solutia's injunctive obligations to comply with work requirements arising under Orders of Courts, Administrative Orders, and other environmental regulatory requirements imposed by law that are not claims under 11 U.S.C. § 101(5). Solutia and any reorganized debtor(s) must comply with such mandatory injunctive and regulatory and

compliance requirements. The United States reserves the right to take future actions to enforce any such obligations of Solutia. While the United States believes that its position will be upheld by the Court, the United States has filed only in protective fashion with respect to such obligations and requirements as indicated herein to protect against the possibility that Solutia will contend that it does not need to comply with any such obligations and requirements and the Court finds that it is not required to do so. Therefore, a protective contingent claim is filed in the alternative for such obligations and requirements but only in the event that the Court finds that such obligations and requirements are dischargeable claims under 11 U.S.C. § 101(5) rather than obligations and requirements that reorganized Solutia must comply with. Nothing in this Proof of Claim constitutes a waiver of any rights of the United States or an election of remedies with respect to such rights and obligations.

12. RCRA Compliance and Work Obligations. This Proof of Claim is filed in a protective manner with respect to Solutia's compliance and work obligations under the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. §§ 6901 *et seq.* See Paragraph 11 *supra*. RCRA establishes a comprehensive regulatory program for generators of hazardous waste and for owners and operators of facilities that treat, store, or dispose of hazardous waste. Solutia is the owner and operator of RCRA-regulated facilities in Sauget, Illinois (Krummrich Facility), Bridgeport, New Jersey (Delaware River Facility), Nitro, West Virginia (Flexsys Facility), Springfield, Massachusetts (Indian Orchard Facility), St. Louis, Missouri (Queeny Facility), and other locations. Solutia was the owner and operator of a RCRA-regulated facility in Tukwila, Washington (Marginal Way Facility). Pursuant to its authority under RCRA, EPA has promulgated regulations applicable to such generators and such owners and operators of hazardous waste management facilities. The federal RCRA implementing regulations are set

forth at 40 C.F.R. Part 260 et seq. Pursuant to Section 3006 of RCRA, 42 U.S.C. § 6926, EPA has authorized various States to administer various aspects of the hazardous waste management program in such States. Pursuant to Section 3008(a) of RCRA, 42 U.S.C. § 6928(a), these authorized State hazardous waste management program are enforceable by EPA. Under RCRA, Solutia is required, inter alia, to operate in compliance with RCRA regulatory requirements, implement closure and post-closure work and corrective action work, and perform any necessary action with respect to any imminent and substantial endangerment to health or the environment, see, e.g., 42 U.S.C. §§ 6924, 6928, 6973, as required by RCRA and/or RCRA permits or Administrative Orders. On May 3, 2000, EPA and Solutia entered into a RCRA Administrative Order on Consent with regard to the Krummrich Facility, which requires, inter alia, completion of Phase II of a Corrective Measures Study, a Facility Investigation, stabilization of migration of groundwater, and control of human exposures to contamination at or from the Facility. Solutia is liable for injunctive and compliance obligations that it is required to perform under RCRA, RCRA permits, and all work requirements under RCRA permits and administrative orders. It is the position of the United States that a proof of claim is not required to be filed for injunctive, compliance, and regulatory obligations and requirements under RCRA. See Paragraph 11 supra. Other liable parties may along with Solutia also be jointly and severally liable to the United States under RCRA.

13. Penalties for Krummrich Facility AOC Violations. Section VI.2 and IX.2 of the AOC for the Krummrich Facility provide that Solutia is liable for stipulated penalties in the amount of \$5000 per day for any failure after January 1, 2002 (extended by agreement to July 15, 2003) to adequately demonstrate that groundwater migration from the Facility is stabilized. By letters dated March 9, 2004 and May 18, 2004, EPA notified Solutia that it was in violation

of these Sections of the AOC and initiated dispute resolution in accordance with the AOC.

Dispute resolution proceedings are continuing. Solutia is liable to EPA for stipulated penalties of \$490,000 (\$5000 per day) of these requirements of the AOC for 98 days between July 16, 2003 and October 21, 2003.

14. Additional CERCLA Claims For Response Costs. a. The debtor is liable to reimburse the United States for the costs (plus interest due under 42 U.S.C. § 9607(a)) of actions taken or to be taken by the United States in response to releases and threatened releases of hazardous substances at the following Facilities: the Industri-Plex Facility and Aberjona River in Woburn, Massachusetts; Solvents Recovery Service of New England Facility in Southington, Connecticut; Bayonne Barrel & Drum Facility in Newark, New Jersey; Lower Passaic River Study Area portion of the Diamond Alkali Superfund Site near Newark, New Jersey; Fike Artel Facility in Nitro, West Virginia; Spectron Facility in Elkton, Maryland; Maryland Sand, Gravel, and Stone Facility in Elkton, Maryland; Central Chemical Facility in Hagerstown, Maryland; SCRDI-Bluff Road Facility in Richland County, South Carolina; Dixie Oil Processors Facility in Harris County, Texas; Motco Facility in LaMarque, Texas; Textin Corporation Facility in Texas City, Texas; Malone Service Company Facility in Texas City, Texas; Great Lakes Container Corporation Facility in St. Louis, Missouri; Hayford Bridge Road Groundwater (Findett) Facility near St. Charles, Missouri; and Superior Solvent Facility a/k/a Thompson Chemicals Facility in St. Louis, Missouri (collectively the "Facilities"). Solutia is liable to the United States pursuant to Section 107(a) of CERCLA for response costs incurred or to be incurred by the United States with respect to the Facilities because it is a legal successor to Monsanto Company, which was an arranger (or a legal successor to an arranger) for disposal of hazardous substances that it owned or possessed at the Facilities and/or was an owner or operator (or legal successor to an owner or

operator) of the Facilities at the time of disposal of hazardous substances. There have been releases or threats of releases of hazardous substances at the Facilities. Response costs have been and will be incurred by EPA at the Facilities not inconsistent with the National Contingency Plan promulgated pursuant to Section 105 of CERCLA, 42 U.S.C. § 9605, and set forth at 40 C.F.R. ¶ 300, as amended. Other potentially responsible parties may along with Solutia also be jointly and severally liable to the United States under CERCLA with respect to the Facilities.

b. The United States has incurred unreimbursed response costs through the dates indicated below in at least the amounts indicated below with respect to these Facilities and the Facilities discussed in Paragraphs 3, 6, and 9 supra (including the educational Trust Fund payments described in Paragraph 3):

FACILITY NAME	PAST COSTS	DATE THROUGH
Industri-Plex and Aberjona River	\$9,464,610	April 2004 (October 2004 for Wells G&H River OU)
Solvents Recovery Service of New England	\$7,506,160.68	August 24, 2004
Bayonne Barrel & Drum	\$2,986,500	January 31, 2003
Lower Passaic River Study Area portion of the Diamond Alkali Superfund Site	\$2,834,084.65	June 22, 2004
Spectron	\$3,415,167	June 30, 2004
Maryland Sand, Gravel, and Stone	\$617,450.57	November 9, 2004
Central Chemical	\$648,215	February 17, 2004
Malone Service Company	\$9,502,760.03	July 31, 2004
Great Lakes Container	\$9,784,900.53	September 10, 2004

Anniston PCB and Lead	\$20,298,154.92	<u>See Paragraph 3 supra</u>
Sauget Area One	\$4,851,584.10	<u>See Paragraph 6a supra</u>
Sauget Area Two	\$6,643,016.54	<u>See Paragraph 6b supra</u>
Kanawha River	\$638,913.68	February 17, 2004

Solutia is therefore jointly and severally liable to the United States for at least these amounts, which total \$79,191,517.70, plus interest due under 42 U.S.C. § 9607(a). The amount of Solutia's liability to the United States for the Great Lakes Container Corporation Facility is being determined by the United States District Court for the Eastern District of Missouri in United States v. Mallinckrodt et al., No. 4:02CV01488 ERW (E.D. Mo).

c. Additional response activities are anticipated and additional costs after the dates indicated above have been and will likely be incurred for which the debtor is liable with respect to the Facilities set forth in Paragraph 14a. The United States presently estimates that the additional cost of implementing response action after the dates indicated in Paragraph 14b at the Facilities set forth in Paragraph 14a is at least approximately as indicated below:

FACILITY NAME	ESTIMATED COST
Industri-Plex and Aberjona River	\$20-120 million
Solvents Recovery Service of New England	\$64.4 million
Bayonne Barrel & Drum	\$8 million
Fike Artel	\$26 million
Spectron	\$32.4 million
Maryland Sand, Gravel, and Stone	\$24.3 million
Central Chemical	\$25 million
SCRDI-Bluff Road	\$3 million
Dixie Oil Processors	\$750,000



Motco	\$8 million
TexTin Corporation	\$1.238 million
Malone Service Company	\$70.8 million
Hayford Bridge Road (Findett)	\$4.8-7.9 million
Superior Solvent	\$3.4-\$6.5 million

Solutia is therefore jointly and severally liable to the United States for at least these amounts, which total between \$292,088,000 and \$398,288,000, as well.

15. Enoch Valley Mine Site. Solutia is also liable to EPA, DOI, and USFS under CERCLA with respect to the Enoch Valley Mine Site, an active phosphate mine located in southeastern Idaho, approximately nineteen miles northeast of Soda Springs, Idaho.

16. The Enoch Valley Mine lease area is approximately three and a half miles long by a half-mile wide and consists of approximately 55 acres of private land, federal leases covering 680 acres of land, and Forest Service administered "special use permits" covering 159 acres. Approximately 540 acres of land impacted by the Enoch Valley Mine is administered by the State of Idaho. Mining was conducted pursuant to three federal leases (I-015033, I-015122, and I-011683) issued by DOI's Bureau of Land Management ("BLM"), and two Idaho leases (I-7957 and I-8379). Portions of the Enoch Valley Mine Site are under the jurisdiction, custody, or control of USFS and/or DOI.

17. Monsanto Company ("Monsanto") operated the Enoch Valley Mine for the production of phosphate ore from approximately 1980 until 1997, when Monsanto spun off its chemical businesses to Solutia, and assigned its mineral leases to P4 Production, L.L.C. ("P4 Production") -- a joint venture of Solutia and Monsanto. Some mining at Enoch Valley continues to date. In 1997, Monsanto assigned all its phosphate mining leases, including the

Enoch Valley lease, to P4 Production. Pursuant to a Master Operating Agreement between Monsanto and Solutia, Solutia operated the Enoch Valley Mine between 1997 and 2000. In 2000, Solutia transferred the majority of its interest in P4 Production to Monsanto and Monsanto took over operation of the Enoch Valley Mine.

18. Environmental investigations undertaken at the Enoch Valley Mine between 1998 and 2004 have detected hazardous substances, including selenium, leaching from waste rock into surface waters. Levels of selenium and other contaminants have been detected in surface water bodies in excess of cold water biota standards. Vegetation planted to reclaim waste rock piles has been determined to be bioaccumulating selenium and other hazardous substances. Receptors of concern include not only grazing animals, but birds, fish, and aquatic invertebrates exposed to contaminated surface water.

19. Solutia is liable, pursuant to Section 107 of CERCLA, 42 U.S.C. § 9607, as a former "operator" of the facility and/or as a party who has "arranged" for the "disposal" of hazardous substances at the Site. The Enoch Valley Mine is a "facility" from which there has been "releases" or "threatened releases" of a "hazardous substance" within the meaning of CERCLA.

20. To address environmental impacts arising from historic and active phosphate mining at the Enoch Valley Mine, USFS and EPA, pursuant to authority vested in the President of the United States by Sections 104, 122(a), and 122(d)(3) of CERCLA, 42 U.S.C. §§ 9604, 9622(a) and 9622(d)(3), and delegated to the Secretary of Agriculture and the Administrator of EPA pursuant to Executive Order No. 12580 (52 Fed. Reg. 2923), Section 2(e)(1) and 2(g), respectively, have entered into an administrative order on consent ("AOC") with P4 Production for the conduct of a site investigation and engineering evaluation/cost analysis ("SI/EE/CA") at

the Enoch Valley Mine. *In re Enoch Valley Mine, Henry Mine, Ballard Mine* (EPA Docket No. CERCLA-10-2003-0117, Nov. 14, 2003). The State of Idaho, pursuant to State law, also is a party to the AOC. The purpose of the SI/EE/CA at Enoch Valley is to characterize the nature and extent of the environmental risks associated with the Enoch Valley Mine and to develop response action alternatives. Remedial action will be selected to address contamination related to the Enoch Valley Mine upon completion of the SI/EE/CA.

21. EPA and USFS, each acting as Support Agencies under the AOC and pursuant to their delegated authority, have incurred, and will continue to incur, CERCLA “response costs,” providing technical assistance and oversight in connection with the releases and threatened releases of hazardous substances from the Enoch Valley Mine. DOI (by its BLM and its Fish and Wildlife Service – also denominated Support Agencies under the AOC), acting pursuant to its delegated authority (Executive Order No. 12580, Section 2(e)(1), supra), also has incurred, and will continue to incur CERCLA response costs providing technical assistance and oversight in connection with releases and threatened releases from the Enoch Valley Mine. Together, EPA, DOI, and USFS have incurred response costs totaling approximately \$100,000 to date. These costs have been incurred not inconsistent with the National Contingency Plan promulgated pursuant to Section 105 of CERCLA, 42 U.S.C. § 9605, and set forth at 40 C.F.R. Part 300, as amended.

22. Because investigations at the Site are continuing and the remedy has not yet been selected, the cost of future response action is uncertain at this time. The United States estimates future site response costs for the Enoch Valley Mine at between \$11 million and \$14.7 million. This proof of claim is filed for all of the response costs incurred and to be incurred in connection with the Enoch Valley Mine.

23. Natural Resource Damages and Assessment and Oversight Costs. Solutia is liable to DOI and NOAA for injury to, destruction of, or loss of natural resources, including the reasonable costs of assessing such injury, destruction, or loss, see 42 U.S.C. § 9607, at or near the Brio Refining and Dixie Oil Processors ("Brio/DOP") Sites in Harris County, Texas. The Brio Refining Site was a petrochemical processing facility. The Dixie Oil Processors Site was used as an oil recovery operation and for the blending and distilling of residues from local chemical and refinery operations. Both Sites are facilities within the meaning of the statute. There have been releases or threats of releases of hazardous substances at both Sites. Monsanto Company, which was an arranger for disposal of hazardous substances it owned or possessed at both Sites, was found to be liable for releases of hazardous substances from both Sites. Solutia is liable to the United States because it is a legal successor to Monsanto Company. Other potentially responsible parties may along with Solutia also be jointly and severally liable to the United States.

24. There have been natural resource damages as a result of releases or threats of releases of hazardous substances at both Sites. The State of Texas and federal natural resource trustees have issued a Draft Damage Assessment and Restoration Plan for injuries resulting from releases from the Brio/DOP Sites. 27 Tex. Reg. 3261 (April 12, 2002). The document has not been finalized; however, the trustees determined that mortality and injury to birds, terrestrial receptors, and benthic aquatic invertebrates, and alterations in benthic invertebrate community structure, were caused by releases of hazardous substances at or from the Brio/DOP Sites. NOAA estimates that natural resource damages for the Sites are more than \$8.1 million.

25. The United States and State of Alabama are filing a separate joint proof of claim

with respect to natural resource damages and assessment and oversight costs for the Anniston PCB Superfund Site. The United States and State of Illinois are filing a separate joint proof of claim with respect to natural resource damages and assessment and oversight costs for the Sauget Sites. These proofs of claim by the United States are incorporated herein to the extent necessary.

26. Property of the Estate. Solutia also has or may in the future have environmental liabilities for properties that are part of its bankruptcy estate and/or for the migration of hazardous substances from property of its bankruptcy estate. For example, on or about February 6, 2001, Solutia entered into an Administrative Order on Consent with EPA relating to the Solutia Inc./AES Monsanto Site in Putnam County, West Virginia. In accordance with 28 U.S.C. § 959, Solutia is required to comply with non-bankruptcy law, including all applicable environmental laws, in managing and operating its property. Upon confirmation of any Plan of Reorganization, reorganized Solutia will be liable as owner or operator of property in accordance with applicable environmental law. The United States is not required to file a proof of claim relating to property of the estate other than for response costs incurred prior to the petition date. The United States reserves the right to file an application for administrative expense or take other appropriate action in the future with respect to property of the estate.

27. This Proof of Claim reflects certain known liabilities of Solutia to the United States. The United States reserves the right to amend this claim to assert subsequently discovered liabilities. The United States specifically notes that it has not, to date, been able to obtain or review many documents relating to the creation of P4 Production, Solutia's interest in P4 Production, or Solutia's obligations for liabilities associated with Monsanto's former ownership and operation of Enoch Valley and other phosphate mines in southeastern Idaho.

Accordingly, the United States reserves the right to amend this proof of claim as appropriate to address liabilities in addition to those described above, including Solutia's potential liability under CERCLA for response costs associated with mining sites other than Enoch Valley (i.e., additional phosphate mines in southeastern Idaho). This Proof of Claim is without prejudice to any right under 11 U.S.C. § 553 to set off, against this claim, debts owed (if any) to the debtor by this or any other federal agency.

28. The United States has not perfected any security interest on its claims against Solutia.

29. This claim is filed as a general unsecured claim except to the extent of any secured/trust interest in insurance proceeds received by Solutia on account of environmental liability to the United States, disputed past cost amounts held in escrow by Solutia pending dispute resolution, and to the extent administrative expense priority exists relating to property of the estate, post-petition violations of law, or otherwise. In addition, the United States will file any application for administrative expense priority at the appropriate time. The United States' position with respect to injunctive, compliance, regulatory, and work obligations that are not claims under 11 U.S.C. § 101(5) is set forth in Paragraph 11 supra.

30. Except as stated in this Proof of Claim, no judgments against Solutia have been rendered on this Proof of Claim.

31. This Proof of Claim is also filed to the extent necessary to protect the United States' rights relating to any insurance proceeds received by Solutia relating to sites discussed herein and any funds being held in escrow by Solutia relating to the sites discussed herein.

Dated: New York, New York  
November 29, 2004

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